



# ***DCU BULLETIN***

***Division of Credit Unions***

***Washington State Department of Financial Institutions***

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## **REVISIONS TO THE WASHINGTON CREDIT UNION ACT**

After finding an error in Bulletin B-13-07, we have made corrections to item No. 7 and reissuing the Bulletin as B-13-10.

2013 Senate Bill (SB) 5302 (2013 c 34) amends the Washington Credit Union Act, chapter 31.12 RCW. These amendments are not effective until July 28, 2013. Below is a brief summary of the amendments.

### **Sections:**

1. **Definitions.** There are no changes to the definitions. Note: The companion bill, HB 1582, had amendments to definitions that were not included in SB 5302.
2. **Special membership meeting notice and date of meeting.** RCW 31.12.195 was changed for the special membership meeting to be held no later than 90 days after the special membership meeting request is received by the board secretary. The board secretary has been given more time to provide notice to the membership. A notice will be required at least 30 days before the date of the special membership meeting.

That portion of a credit union's bylaws dealing with "Meetings of Members" (usually Article III of the bylaws) will need to be changed to comply with the above-referenced statutory amendments.

3. **Frequency of board meetings.** RCW 31.12.225 was amended to permit six regular meetings per year, including at least one meeting held in each calendar quarter, and to begin this change after July 28, 2013. While this change provides flexibility during summer months and December when it is harder to get a board quorum, the Director of Credit Unions encourages monthly meetings for the board to ensure that a credit union is operating in a safe and sound manner.

If the board continues to meet monthly, the bylaws do not need to be amended. Before changing to a less-than-monthly meeting schedule (and effective July 28, 2013), the

board should amend that portion of its bylaws dealing with the “Board of Directors” (usually Article V of the bylaws).

In early August 2013, the Director of Credit Unions plans to begin rule-making on when a board would be required to meet more frequently in order to address matters noted in an examination. For example, the board of a financially troubled credit union would be expected to meet at least monthly.

4. **Number of unexcused board absences.** RCW 31.12.235 was amended to be consistent with the changes to RCW 31.12.225.

The board should check that portion of its bylaws (usually Article V) regarding removal of a board member due to unexcused absences and make a bylaw amendment, as applicable and if necessary.

5. **Suspending a member of the board or a member of the supervisory committee.** RCW 31.12.285 changed for the special membership meeting to be held no later than 60 days after the suspension.

That portion of the bylaws dealing with the “Board of Directors” (usually Article V) and the portion of the bylaws dealing with the “Supervisory Committee (usually Article VI) will need to be amended to comply with the changes.

6. **Reasonable compensation paid to a member of the board or member of the supervisory committee.** RCW 31.12.365 permits a member of the board or a member of the supervisory committee to receive compensation, after July 28, 2013.

The Director of Credit Unions held a stakeholder meeting on June 20, 2013 from 1:00 pm to 3:00 pm to begin discussions on reasonable compensation. See Bulletin at <http://www.dfi.wa.gov/cu/bulletins/2013/b-13-04.pdf> .

In August 2013, the Director of Credit Unions will begin the rule-making process pertaining to reasonable compensation. For a list of the rule-making meetings, see Bulletin at <http://www.dfi.wa.gov/cu/bulletins/2013/b-13-05.pdf>.

The portions of the bylaws dealing with “Board of Directors” (usually Article V) and the “Supervisory Committee” (usually Article VI) will need to be amended to comply with the changes.

7. **No preferential loans to directors, supervisory committee members, or credit committee members.** This section was moved from RCW 31.12.365 to RCW 31.12.426.
8. **Mutual funds containing permissible investments.** RCW 31.12.436 was amended in two areas. RCW 31.12.436(1)(k) was added to permit credit unions to invest in mutual funds that contain permissible investments, such as bonds, securities and other investments fully guaranteed as to the principal and interest by the U.S. government, and

general obligations of Washington State and its political subdivisions. RCW 31.12.436(2) was added to permit credit unions to develop a reasonable plan for divestiture of an investment that is unsafe and unsound.

9. **Occupying premises for credit union operations.** RCW 31.12.438 will permit a credit union to “partially occupy” premises for credit union purposes. This section was changed from “primarily occupy,” which required at least 50% of the square footage of a building to be occupied for the purpose of credit union operations.

In September 2013, the Director of Credit Unions will begin the rule-making process to define “partially occupy.”

10. **Majority vote from the board permitted for merger.** RCW 31.12.461, as amended, will permit a merger if the merger vote is at least a *simple majority* of the board of each credit union and a two-thirds majority vote (not changed in the bill) of the members of the merging credit union.

11. **Special board meeting may be called by the Director of Credit Unions.** RCW 31.12.630 retains the authority of the Director of Credit Unions to call a special board meeting within 30 days of proper notice to the board secretary.

This Bulletin is provided as general guidance and is not intended to substitute for legal advice by the credit union’s legal counsel. If you have questions, please contact Linda Jekel, Director of Credit Unions at [Linda.Jekel@dfi.wa.gov](mailto:Linda.Jekel@dfi.wa.gov) or (360) 902-8778.